

WARREN COUNTY LOCAL
DEVELOPMENT CORPORATION
(A Component Unit of Warren County)
Financial Statements and
Supplementary Information
December 31, 2011 and 2010
(With Independent Auditors' Report Thereon)

WARREN COUNTY LOCAL DEVELOPMENT CORPORATION
(A Component Unit of Warren County)

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* * * * *

TOSKI & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Warren County Local Development Corporation:

We have audited the accompanying statements of financial position of Warren County Local Development Corporation (the Corporation), a component unit of Warren County, as of December 31, 2011 and 2010 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Warren County Local Development Corporation as of December 31, 2011 and 2010 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated April 23, 2012 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is also not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in related to the financial statements as a whole.

Toski & Co., CPAs, P.C.

Williamsville, New York
April 23, 2012

WARREN COUNTY LOCAL DEVELOPMENT CORPORATION
(A Component Unit of Warren County)
Statements of Financial Position
December 31, 2011 and 2010

	<u>Assets</u>	<u>2011</u>	<u>2010</u>
Current assets:			
Cash and equivalents		\$ 626,884	541,123
Loans receivable - current portion		230,831	206,149
Allowance for doubtful accounts		<u>(133,500)</u>	<u>(82,000)</u>
Total current assets		724,215	665,272
Loans receivable, net of current portion		<u>916,411</u>	<u>1,034,815</u>
Total assets		<u>\$ 1,640,626</u>	<u>1,700,087</u>
<u>Liabilities and Net Assets</u>			
Current liabilities:			
Accounts payable		122	122
Due to HUD		<u>9,748</u>	<u>9,305</u>
Total current liabilities		9,870	9,427
Unrestricted net assets		<u>1,630,756</u>	<u>1,690,660</u>
Total liabilities and net assets		<u>\$ 1,640,626</u>	<u>1,700,087</u>

See accompanying notes to financial statements.

WARREN COUNTY LOCAL DEVELOPMENT CORPORATION
(A Component Unit of Warren County)
Statements of Activities
Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Unrestricted revenue:		
Grants	\$ -	4,550
Program income	10,531	-
Interest and late fees on loans	39,238	40,119
Program service fees	5,817	3,670
Contributed support	<u>7,391</u>	<u>-</u>
Total unrestricted revenue	<u>62,977</u>	<u>48,339</u>
Unrestricted expenses:		
Grants and contracts	27,178	11,382
Administrative	44,203	42,450
Provision for uncollectible loans	<u>51,500</u>	<u>-</u>
Total unrestricted expenses	<u>122,881</u>	<u>53,832</u>
Decrease in unrestricted net assets	(59,904)	(5,493)
Unrestricted net assets at beginning of year	<u>1,690,660</u>	<u>1,696,153</u>
Unrestricted net assets at end of year	<u>\$ 1,630,756</u>	<u>1,690,660</u>

See accompanying notes to financial statements.

WARREN COUNTY LOCAL DEVELOPMENT CORPORATION
(A Component Unit of Warren County)
Statements of Cash Flows
Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Decrease in unrestricted net assets	\$ (59,904)	(5,493)
Adjustments to reconcile decrease in unrestricted net assets to net cash provided by (used in) operating activities - changes in:		
Due from Warren County	-	6,104
Provision for uncollectible loans	51,500	-
Accounts payable	-	(202)
Due to HUD	443	774
Net cash provided by (used in) operating activities	<u>(7,961)</u>	<u>1,183</u>
Cash flows from investing activities:		
Loans issued	(128,000)	(260,414)
Proceeds from loan payments	<u>221,722</u>	<u>151,291</u>
Net cash provided by (used in) investing activities	<u>93,722</u>	<u>(109,123)</u>
Net increase (decrease) in cash and equivalents	85,761	(107,940)
Cash and equivalents at beginning of year	<u>541,123</u>	<u>649,063</u>
Cash and equivalents at end of year	<u>\$ 626,884</u>	<u>541,123</u>

See accompanying notes to financial statements.

WARREN COUNTY LOCAL DEVELOPMENT CORPORATION

(A Component Unit of Warren County)

Notes to Financial Statements

December 31, 2011 and 2010

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

The Warren County Local Development Corporation (the Corporation) was incorporated in 1986 under the Not-for-Profit Law of the State of New York for the purpose of relieving and reducing unemployment by promoting and providing job opportunities for low to moderate income residents of Warren County. This is accomplished through the Corporation's community development and housing programs as follows:

Community Economic Development - Administration and management of small business lending programs, economic development loans, and economic development grant programs that benefit low and moderate income persons. Program is accomplished through grants and loans made to qualifying employers.

Housing - Administration and management of grants to eligible homeowners who need funds to make health and safety repairs to their homes.

Warren County contracts with the Corporation to administer a revolving loan program created by the repayments of low interest loans issued by the Warren County Community Development Program. The County Board of Supervisors assigned all loans to the Corporation for no consideration. The Corporation is a component unit of Warren County and is included as such in the County's general-purpose financial statements.

(b) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(c) Basis of Presentation

The Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Corporation had only unrestricted net assets in 2011 and 2010.

(d) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

WARREN COUNTY LOCAL DEVELOPMENT CORPORATION

(A Component Unit of Warren County)

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(e) Cash and Equivalents

For purposes of the statements of cash flows, the Corporation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

(f) Revenue Recognition

The Corporation's primary sources of revenue are from interest payments received on loans issued by the Corporation through its Micro-Enterprise Loan Program and from grants administered by New York State and the U.S. Department of Housing and Urban Development.

(g) Grants Receivable

Grants receivable consist of granting agencies obligations for services performed. The full amount is expected to be collected in the near term.

(h) Loans Receivable

Loans receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

(i) Deferred Revenue

Deferred revenue represents advances received from granting agencies for services to be performed in a future period.

(j) Expense Allocation

The costs of providing programs and other activities have been adequately detailed in the statements of activities. Allocation of management and general expenses amount program and supporting services is not considered significant to the operations of the Corporation, therefore, no such allocation has been provided.

(k) Contributed Services

During the years ended December 31, 2011 and 2010, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. However, many individuals volunteer their time and perform a variety of tasks that assist the Corporation.

(l) Subsequent Events

The Corporation has evaluated events after December 31, 2011, and through April 23, 2012, which is the date the financial statements were available to be issued, and determined that any events or transactions occurring during this period that would require recognition or disclosure are properly addressed in these financial statements.

WARREN COUNTY LOCAL DEVELOPMENT CORPORATION

(A Component Unit of Warren County)

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(m) Income Taxes

The Corporation is exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code, therefore, no provision for income taxes is reflected in the financial statements. The Corporation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Corporation believes it is no longer subject to income tax examinations for years prior to 2009.

(2) Concentration of Credit Risk

Financial instruments which potentially expose the Corporation to concentrations of credit risk consist primarily of loans receivable. Management considers the loans, net of allowances, to be fully collectible.

The Corporation had funds on deposit at one bank totaling \$626,884 at December 31, 2011. These deposits are fully secured by Federal Deposit Insurance Corporation insurance and/or pledged collateral.

(3) Loans Receivable

The Corporation maintains a micro-enterprise loan program. The loans have varying interest rates ranging from 3% to 8% and have repayment terms ranging from 3 to 7 years. The loans are collateralized by a first or priority security interest in any equipment, machinery, furnishings or fixtures refinanced or purchased from loan proceeds. An allowance for doubtful accounts of \$133,500 and \$82,000 has been established as of December 31, 2011 and 2010, respectively. Expected repayments on the loans receivable at September 31, 2011 are as follows:

2012	\$	230,831
2013		216,263
2014		190,759
2015		165,322
2016		73,403
Thereafter		<u>270,664</u>
Total		1,147,242
Less current portion		<u>(230,831)</u>
Loans receivable, net of current portion	\$	<u>916,411</u>

WARREN COUNTY LOCAL DEVELOPMENT CORPORATION

(A Component Unit of Warren County)

Notes to Financial Statements, Continued

(4) Contributed Support with Warren County

In an agreement between the Corporation and Warren County, the County previously agreed to pay a support fee for services rendered in administrating the development grants of the County. For the year ended December 31, 2011, the support fee revenue amounted to \$7,391 and the Corporation reimbursed the County \$32,000 in administrative costs.

WARREN COUNTY LOCAL DEVELOPMENT CORPORATION
 (A Component Unit of Warren County)
 Schedule of Expenditures of Federal Awards
 Year ended December 31, 2011

<u>Federal Grantor/Program Title</u>	<u>Pass Through Grantor's Number</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development - passed through New York State Housing Trust Fund Corporation - Community Development Block Grants - State's Program	1197	14.228	\$ <u>1,147,242</u>

See accompanying notes to schedule of expenditures of federal awards.

WARREN COUNTY LOCAL DEVELOPMENT CORPORATION

(A Component Unit of Warren County)

Notes to Schedule of Expenditures of Federal Awards

Year ended December 31, 2011

(1) General

The schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of Warren County Local Development Corporation. The Corporation's reporting entity is defined in the notes to the financial statements. All federal financial assistance received directly from federal agencies, as well as federal assistance passed through from other government agencies is included in the schedule. At December 31, 2011, the amount reported as federal expenditures represents the amount of loans receivable financed by the Community Development Block Grant Program and usage of program income received in 2011.

(2) Basis of Accounting

The schedule of expenditures of federal awards is presented using the accrual basis of accounting as described in the notes to the Corporation's financial statements.

(3) Subrecipients

The Corporation did not provide federal awards to any subrecipients.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND COMPLIANCE AND ON OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors
Warren County Local Development Corporation:

We have audited the financial statements of Warren County Local Development Corporation (the Corporation), a component unit of Warren County, as of and for the year ended December 31, 2011, and have issued our report thereon dated April 23, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Corporation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the audit committee, management, the Board of Directors, and federal awarding agencies and pass-through entities, and is not intended to be and should, not be used by anyone other than these specified parties.

Toski & Co., CPAs, P.C.

Williamsville, New York
April 23, 2012

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Directors
Warren County Local Development Corporation:

Compliance

We have audited the compliance of Warren County Local Development Corporation (the Corporation), a component unit of Warren County, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2011. The Corporation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Corporation's management. Our responsibility is to express an opinion on the Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Corporation's compliance with those requirements.

In our opinion, Warren County Local Development Corporation complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2011.

Internal Control Over Compliance

The management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, the Board of Directors, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Toski & Co., CPAs, P.C.

Williamsville, New York
April 23, 2012

WARREN COUNTY LOCAL DEVELOPMENT CORPORATION
 (A Component Unit of Warren County)
 Schedule of Findings and Questioned Costs
 Year ended December 31, 2011

Part I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

- | | |
|---|------------------------------------|
| Type of auditors' report issued: | Unqualified |
| Internal control over financial reporting: | |
| 1. Material weakness(es) identified? | ___ Yes <u> x </u> No |
| 2. Significant deficiency(ies) identified not considered to be material weakness(es)? | ___ Yes <u> x </u> None reported |
| 3. Noncompliance material to financial statements noted? | ___ Yes <u> x </u> No |

Federal Awards:

- | | |
|---|------------------------------------|
| Internal control over major programs: | |
| 4. Material weakness(es) identified? | ___ Yes <u> x </u> No |
| 5. Significant deficiency(ies) identified not considered to be material weakness(es)? | ___ Yes <u> x </u> None reported |

- | | |
|--|-------------------------|
| Type of auditors' report issued on compliance for major programs: | Unqualified |
| 6. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a)) | ___ Yes <u> x </u> No |
| 7. The Corporation's major program audited was Community Development Block Grants - State's Program, CFDA Number 14.228 | |
| 8. Dollar threshold used to distinguish between Type A and Type B programs? | \$300,000 |
| 9. Auditee qualified as low-risk auditee? | <u> x </u> Yes ___ No |

Part II - FINANCIAL STATEMENT FINDINGS SECTION

No reportable findings.

Part III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No reportable findings or questioned costs.

WARREN COUNTY LOCAL DEVELOPMENT CORPORATION

(A Component Unit of Warren County)

Status of Prior Audit Findings

December 31, 2011

There were no audit findings with regard to the prior year financial statements (December 31, 2010).